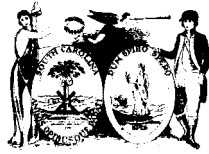


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

March 7, 2003

Mr. Dennis Lofe, Chief Executive Officer
Wilson Group, Inc.
116 Cashua Drive
Darlington, South Carolina 29532

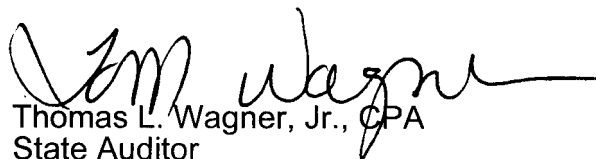
Re: AC# 3-MEP-J9 – Medford Place

Dear Mr. Lofe:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**MEDFORD PLACE
DARLINGTON, SOUTH CAROLINA**

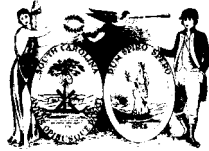
**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-MEP-J9**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 2000	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIOD OCTOBER 1, 2000 THROUGH SEPTEMBER 30, 2001	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1999	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	10

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 28, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Medford Place, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of Medford Place is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

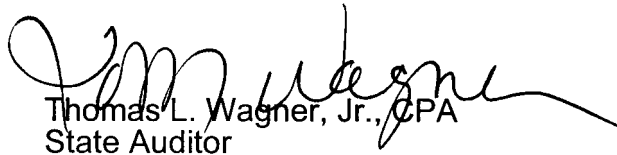
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Medford Place, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Medford Place dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 28, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

MEDFORD PLACE
Computation of Rate Change
For the Contract Periods Beginning October 1, 2000
AC# 3-MEP-J9

10/01/00-
09/30/01

Interim Reimbursement Rate (1)	\$93.74
Adjusted Reimbursement Rate	<u>91.56</u>
Decrease in Reimbursement Rate	\$ <u><u>2.18</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

MEDFORD PLACE
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2000 Through September 30, 2001
AC# 3-MEP-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$45.52	\$53.99	
Dietary		9.59	10.56	
Laundry/Housekeeping/Maintenance		<u>8.23</u>	<u>9.12</u>	
Subtotal	<u>\$5.16</u>	63.34	73.67	\$63.34
Administration & Medical Records	<u>\$5.33</u>	<u>5.87</u>	<u>11.20</u>	<u>5.87</u>
Subtotal		69.21	<u>\$84.87</u>	69.21
<u>Costs Not Subject to Standards:</u>				
Utilities		3.64		3.64
Special Services		-		-
Medical Supplies & Oxygen		3.47		3.47
Taxes and Insurance		1.35		1.35
Legal Fees		<u>.17</u>		<u>.17</u>
TOTAL		<u>\$77.84</u>		77.84
Inflation Factor (3.20%)				2.49
Cost of Capital				7.76
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.72
Cost Incentive				5.16
Effect of \$1.75 Cap on Cost/Profit Incentives				(6.13)
Nurse Aide Add-On - 10/01/2000				1.35
Nurse Aide Add-On - 10/01/1999				<u>.37</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$91.56</u>

MEDFORD PLACE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MEP-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,403,705	\$ -	\$ 199 (6)	\$1,403,506
Dietary	286,090	4,324 (3) 5,392 (8)	-	295,806
Laundry	50,573	-	-	50,573
Housekeeping	117,261	-	57 (5) 814 (8)	116,390
Maintenance	109,057	2,240 (8)	24,352 (5)	86,945
Administration & Medical Records	191,573	7,768 (8)	18,188 (5) 34 (5)	181,119
Utilities	112,666	-	117 (5) 190 (8)	112,359
Special Services	-	-	-	-
Medical Supplies & Oxygen	139,026	-	6,210 (3) 25,887 (4)	106,929
Taxes and Insurance	49,022	111 (8)	7,199 (1) 232 (5)	41,702
Legal Fees	(640)	5,309 (2) 718 (5)	246 (8)	5,141
Cost of Capital	246,806	420 (8) 1,488 (9)	3,014 (5) 2,154 (7) 4,135 (10)	239,411
Subtotal	2,705,139	27,770	93,028	2,639,881
Ancillary	23,348	-	-	23,348

MEDFORD PLACE
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
AC# 3-MEP-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Non-Allowable	179,576	7,199 (1) 1,886 (3) 25,887 (4) 45,276 (5) 199 (6) <u>4,135 (10)</u>	5,309 (2) 14,681 (8) 1,488 (9)	242,680
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$2,908,063</u>	<u>\$112,352</u>	<u>\$114,506</u>	<u>\$2,905,909</u>
 Total Patient Days	 <u>30,835</u>	 <u>-</u>	 <u>-</u>	 <u>30,835</u>
 Total Beds	 <u>88</u>			

MEDFORD PLACE
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MEP-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Taxes and Insurance	\$ 7,199	\$ 7,199
	To adjust property tax expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Legal Nonallowable	5,309	5,309
	To include allowable legal fees HIM-15-1, Section 2150 State Plan, Attachment 4.19D		
3	Nonallowable Dietary Medical Supplies	1,886 4,324	6,210
	To reclassify tube feeding cost HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
4	Nonallowable Medical Supplies	25,887	25,887
	To remove expenses not adequately documented HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
5	Legal Nonallowable Housekeeping Maintenance Administration Medical Records Utilities Taxes and Insurance Cost of Capital	718 45,276	57 24,352 18,188 34 117 232 3,014
	To adjust home office allocation HIM-15-1, Section 2150 State Plan, Attachment 4.19D		

MEDFORD PLACE
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MEP-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Restorative	199	199
	To disallow expense not adequately documented HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Accumulated Depreciation	67,980	
	Fixed Assets		50,176
	Other Equity		15,650
	Cost of Capital		2,154
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
8	Cost of Capital	420	
	Taxes and Insurance	111	
	Administration	7,768	
	Maintenance	2,240	
	Dietary	5,392	
	Legal		246
	Utilities		190
	Housekeeping		814
	Nonallowable		14,681
	To adjust removal of costs applicable to non-reimbursable cost centers HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
9	Cost of Capital	1,488	
	Nonallowable		1,488
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		

MEDFORD PLACE
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-MEP-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
10	Nonallowable Cost of Capital	4,135	4,135
	To adjust capital return State Plan, Attachment 4.19D		
		_____	_____
	TOTAL ADJUSTMENTS	\$ <u><u>180,332</u></u>	\$ <u><u>180,332</u></u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

MEDFORD PLACE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MEP-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>88</u>
Deemed Asset Value	3,182,520
Improvements Since 1981	454,332
Accumulated Depreciation at 9/30/99	<u>(765,300)</u>
Deemed Depreciated Value	2,871,552
Market Rate of Return	<u>.060</u>
Total Annual Return	172,293
Return Applicable to Non-Reimbursable Cost Centers	(18,251)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>945</u>
Allowable Annual Return	154,987
Depreciation Expense	98,722
Amortization Expense	-
Capital Related Income Offsets	(39)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(14,259)</u>
Allowable Cost of Capital Expense	239,411
Total Patient Days (Minimum 96% Occupancy)	<u>30,835</u>
Cost of Capital Per Diem	\$ <u><u>7.76</u></u>

MEDFORD PLACE
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1999
AC# 3-MEP-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ N/A
Adjustment for Maximum Increase	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>N/A</u>
Reimbursable Cost of Capital Per Diem	\$7.76
Cost of Capital Per Diem	<u>7.76</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

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